

House File 2455 - Reprinted

HOUSE FILE 2455
BY COMMITTEE ON GOVERNMENT
OVERSIGHT

(SUCCESSOR TO HSB 663)

(As Amended and Passed by the House April 9, 2012)

A BILL FOR

1 An Act relating to the examinations of the finances of certain
2 cities and including effective date provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 11.6, subsection 1, paragraph a, Code
2 Supplement 2011, is amended to read as follows:

3 a. (1) Except for entities organized under chapter 28E
4 having gross receipts of one hundred thousand dollars or less
5 in a fiscal year, the financial condition and transactions of
6 all government subdivisions shall be audited ~~at least once each~~
7 year annually, except that cities having a population of ~~seven~~
8 ~~hundred or more but less than two thousand shall be examined at~~
9 ~~least once every four years~~ and budgeted gross expenditures of
10 one million dollars or more in a fiscal year shall be subject
11 to a required fiscal year examination for that fiscal year
12 according to procedures established by the office of auditor
13 of state, and cities having a population of less than ~~seven~~
14 ~~hundred~~ two thousand and budgeted gross expenditures of less
15 than one million dollars in a fiscal year shall be subject
16 to periodic examination by the auditor of state according to
17 procedures established by the auditor of state, and may be
18 examined as otherwise provided in this section. However, a
19 city having a population of less than two thousand and budgeted
20 gross expenditures of one million dollars or more in a fiscal
21 year shall not be subject to a required fiscal year examination
22 until the city has two consecutive years of budgeted gross
23 expenditures of one million dollars or more in both fiscal
24 years, and such examination shall be conducted during the
25 second of such fiscal years. A city meeting the requirements
26 for a periodic examination shall be subject to an examination
27 under this section at least once during an eight-year period
28 at a time determined by the auditor of state. The audit of
29 school districts shall include an audit of all school funds
30 including categorical funding provided by the state, the
31 certified annual financial report, the certified enrollment as
32 provided in section 257.6, supplementary weighting as provided
33 in section 257.11, and the revenues and expenditures of any
34 nonprofit school organization established pursuant to section
35 279.62. Differences in certified enrollment shall be reported

1 to the department of management. The audit of school districts
 2 shall include at a minimum a determination that the laws of
 3 the state are being followed, that categorical funding is not
 4 used to supplant other funding except as otherwise provided,
 5 that supplementary weighting is pursuant to an eligible
 6 sharing condition, and that postsecondary courses provided in
 7 accordance with section 257.11 and chapter 261E supplement,
 8 rather than supplant, school district courses. The audit of
 9 a city that owns or operates a municipal utility providing
 10 local exchange services pursuant to chapter 476 shall include
 11 performing tests of the city's compliance with section 388.10.
 12 The audit of a city that owns or operates a municipal utility
 13 providing telecommunications services pursuant to section
 14 388.10 shall include performing tests of the city's compliance
 15 with section 388.10.

16 (2) Subject to the exceptions and requirements of
 17 subsections 2 and 3, and subsection 4, paragraph "a",
 18 subparagraph (3), audits or required fiscal year examinations
 19 shall be made as determined by the governmental subdivision
 20 either by the auditor of state or by certified public
 21 accountants, certified in the state of Iowa, and they shall
 22 be paid from the proper public funds of the governmental
 23 subdivision. However, a periodic examination of a city shall
 24 be conducted by the auditor of state or by a certified public
 25 accountant employed by the auditor of state pursuant to section
 26 11.32, and shall be paid from examination fees collected
 27 pursuant to subsection 10A.

28 Sec. 2. Section 11.6, Code Supplement 2011, is amended by
 29 adding the following new subsection:

30 NEW SUBSECTION. 10A. a. The auditor of state shall
 31 adopt rules in accordance with chapter 17A to establish and
 32 collect a periodic examination fee from cities that are not
 33 required to have an audit or required fiscal year examination
 34 conducted pursuant to subsection 1 during a fiscal year. Such
 35 fees are due on March 31 each year. The auditor of state

1 shall base the fees on a sliding scale, based on the city's
2 budgeted gross expenditures, to produce total revenue of not
3 more than three hundred seventy-five thousand dollars for
4 each fiscal year. However, cities that pay a filing fee for
5 an audit or examination pursuant to subsection 10 during the
6 fiscal year are not required to pay the examination fee. The
7 funds collected shall be maintained in a segregated account
8 for use by the office of the auditor of state in performing
9 periodic examinations conducted pursuant to subsection 1.
10 However, if the fees collected in one fiscal year exceed three
11 hundred seventy-five thousand dollars, the auditor of state
12 shall apply the excess funds to provide training to city
13 officials on municipal financial management or shall contract
14 with a qualified organization to provide such training.
15 Notwithstanding section 8.33, any fees collected by the auditor
16 of state for these purposes that remain unexpended at the end
17 of the fiscal year shall not revert to the general fund of the
18 state or any other fund but shall remain available for use for
19 the following fiscal year for the purposes authorized in this
20 subsection.

21 *b.* The auditor of state shall provide an annual report by
22 January 15 of each year to the general assembly's standing
23 committees on government oversight, advising the general
24 assembly on the status of the account created in this
25 subsection and on the status of the required fiscal year
26 examinations and periodic examinations of cities.

27 Sec. 3. IMPLEMENTATION OF ACT. Section 25B.2, subsection
28 3, shall not apply to this Act.

29 Sec. 4. EFFECTIVE DATE. This Act takes effect July 1, 2013.